E760004-0080

STANDARD FORM NO. 64

UNCLASSIFIED (690) FT, OC/R

Office Memorandum · UNITED STATES GOVERNMENT

TO : ARA - Mr. Holland

DECLASSIFICATION DATE 2/27/76 DATE: June 7, 1954

PER Hfyan OFFICE DPA

FADRC FOI CASE NO. 5-D-434

FROM : MID - Mr. Hill

SUBJECT: Economic Measures to Keep Guatemala Off Balance Until Proposed OAS Meeting

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The following, in my opinion, are some of the measures which might be undertaken to keep the Guatemalan Government off balance in the economic field in the coming weeks. After each I shall attempt briefly to describe their possible advantages and disadvantages.

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(1) Gasoline. An effort might be made through the American oil companies and/or the Venezuelan and ~~other~~ Governments of petroleum supplying countries to divert tankers away from Guatemala starting now. This probably should be done in any event for if the tank farms are full after the proposed OAS meeting it might be some weeks before Guatemala would run out. The diversion of tankers would have a strong psychological effect at once and occupy the Guatemalan authorities in searching for alternate sources of supply. As soon as the Government was forced to rationing, transportation would begin to break down with a consequent rise in public inconvenience and discontent, presenting more problems for the Government. Eventually, transportation would break down. The disadvantages of doing this at this stage are, first, that it would savor of unilateral economic sanctions by the U.S. and, second, it would give the Guatemalan Government early warning in order to attempt to arrange alternate means of supply. The Department would then be occupied with trying to block gasoline purchases abroad in addition to arms.

(2) Credit. Credit supplied by U.S. sources plays an important role in the Guatemalan economy. Coffee fincueros habitally obtain advances, usually about August, from U.S. importers on their next year's crop. Agents and importers of U.S. manufactured goods obtain credit. Special credit arrangements, such as the General Motors Credit Corporation and the Chase National Bank for Ford, underwrite the credit extended by agencies in Guatemala to their customers. This credit might be threatened or stopped by arrangements with the U.S. companies concerned. For psychological effect, the possibilities of having an official of the National Association of Manufacturers, or other appropriate organizations making a speech advising members to stop credit to Guatemala forthwith and publicizing this in Guatemala. The advantage is that this would add to the

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tension in the country. The disadvantages are that if it were done on a scale sufficient to have any real effect, it would again savor of U.S. unilateral sanctions and would put the problem on the plane of a quarrel between large U.S. business interests and Guatemala. It also would have very little direct effect on the Guatemalan Government's finances for some time since the coffee crop on which the Government collects is normally shipped in the December-April period and it would be some time until the pipeline of shipments on which customs are collected dried up. The greater portion, perhaps 85 percent of the punishment would be on the affected business interests in Guatemala, including the several agencies run by U.S. citizens.

(3) Flight of Capital. In 1952, when the Agrarian Reform Bill was passed, some $12 million were estimated to have fled Guatemala in a few weeks as private persons transferred funds to U.S. and other banks. This contrasts with a Guatemala Government holding of foreign reserves of about $35 million. At that time, the Bank of Guatemala concealed the figures and the Minister of Finance made reassuring statements in the apparent belief that a business panic was in the offing. This condition might be reproduced by the CIA with an intelligently planned out rumor and propaganda campaign. The timing could be arranged to coincide with the announcement of the OAS meeting and the line could be "The U.S. is going to put in economic sanctions, the quetzal will be worthless in a few months, and now is the time to get your money out of the country before the Government clamps down." There should be many channels, including selected U.S. businessmen in such firms as General Motors who could be used to tell their Guatemalan contacts that they have the "inside word" from Washington. Appropriate radio and word-of-mouth agents in Guatemala could be mobilized. If the resulting flight of capital were significant, the Guatemalan Government would be preoccupied with finding ways to meet the problem and perhaps forced into a clumsy and ill-thought-out foreign exchange program. The disadvantages appear to be primarily the ever present dangers we might be caught at it.

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